



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION

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MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Joshua Bowman, Public Utility Analyst

A handwritten signature in blue ink, appearing to read "JAB".

DATE: June 15, 2017

SUBJECT: IN THE MATTER OF THE JOINT APPLICATION OF WEST CORPORATION AND OLYMPUS HOLDINGS II, LLC FOR AUTHORITY TO TRANSFER INDIRECT CONTROL OF WEST SAFETY COMMUNICATIONS, INC. AND WEST TELECOM SERVICES, LLC.

(FILED JUNE 9, 2017) – PSC DOCKET NO. 17-0432

Application

On June 9, 2017, Pursuant to 26 Del. C. § 215 and the rules of the Public Service Commission of the State of Delaware ("PSC" or "Commission"), West Corporation ("Transferor" or "West") and Olympus Holdings II, LLC ("Transferee" or "Olympus") (collectively, the "Applicants"), filed an application (the "Application") requesting approval of the Commission to complete a merger transaction whereby Olympus, by and through its wholly owned subsidiary Olympus Merger Sub, Inc. ("Merger Sub"), will acquire ultimate control of West and West's wholly owned subsidiaries, including West Safety Communications, Inc. ("West Safety") and West Telecom Services, LLC ("West Telecom") (collectively the "Licensees") (the "Transaction").

Applicants

West Corporation

West is a publicly traded Delaware corporation headquartered at 11808 Miracle Hills Drive, Omaha, Nebraska 68154. West is the direct or indirect parent company of several subsidiary companies, including West Telecom and West Safety. Through its subsidiaries, West is a global provider of communications and network infrastructure services primarily to business customers throughout the United States and internationally. These services include emergency communications services, wholesale local and national tandem switching and transport services, conferencing and other meeting replacement services, alert and notification services, automated

call processing, unified communications services, health advocacy, and cost recovery services. The voice and data solutions of West's subsidiaries are deployed by customers in a variety of industries, including telecommunications, banking, retail, financial services, technology, and healthcare.

West Telecom Services, LLC

West Telecom is a wholly owned, indirect subsidiary of West. West Telecom is a Delaware limited liability company, and its principal place of business is located at 3200 W. Pleasant Run Road, Suite 300, Lancaster, Texas 75146. West Telecom provides wholesale local and national tandem switching and transport services, termination services, toll-free origination services, and Direct Inbound Dial services to telecommunications and information service providers, including wireless carriers, wireline competitive local exchange carriers ("CLECs") and interexchange carriers, cable telephony providers, and Voice over Internet Protocol ("VoIP") providers. West Telecom's services are currently available in 47 states and the District of Columbia. On August 22, 2001, West Telecom's predecessor, KMC Data LLC, was granted a certificate of public convenience and necessity by way of Order No. 5786, PSC Docket No. 01-225, to provide local exchange and competitive intrastate telecommunications services in Delaware.

West Safety Communications, Inc.

West Safety is a wholly owned indirect subsidiary of West. West Safety is a Delaware corporation, and its principal place of business is located at 1601 Dry Creek Drive, Longmont, Colorado 80503. West Safety provides emergency communications services and infrastructure systems to public safety organizations and service providers, including public safety answering points, wireless carriers, wireline CLECs, cable telephony providers, and VoIP providers. West Safety's services are currently available in 47 states and the District of Columbia. On April 17, 2008, West Safety was granted a certificate of public convenience and necessity by way of Order No. 7379, PSC Docket No. 08-44, to provide local exchange and competitive intrastate telecommunications services in Delaware.

Olympus Holdings II, LLC

Olympus is a Delaware limited liability company and its principal place of business is located at 9 West 5th Street, 43rd Floor, New York, New York 10019. Olympus was formed on May 5, 2017 for the purpose of consummating this Transaction and acquiring control of West and the Licensees. Olympus is a holding company and will be ultimately controlled by a principal of Apollo Global Management, LLC ("Apollo"), Joshua J. Harris, a citizen of the United States. The equity of Olympus ultimately is held by certain investment funds managed by affiliates of Apollo. Apollo is a leading global alternative investment manager that raises, invests, and manages investment funds on behalf of some of the world's most prominent pension and endowment funds as well as other institutional and individual investors. As of March 31, 2017, Apollo managed a total of approximately \$197 billion in assets, including \$45 billion in private equity. Apollo's management team has worked together for over 30 years and leads a team of 989 employees, including 371 investment professionals as of March 31, 2017.

Olympus is well qualified managerially, technically, and financially to own and control West and the Licensees. Apollo is an experienced investor in regulated telecommunications companies. In fact, over the years Apollo has made numerous minority and controlling investments in telecommunications businesses.

Proposed Transaction

On May 9, 2017, Mount Olympus Holdings, Inc. (which is an indirect parent of Olympus), Merger Sub (which is a wholly owned subsidiary of Olympus), and West entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Merger Sub will merge with and into West, with West continuing as the surviving corporation. At closing, the current issued and outstanding shares of West will be converted into the right for each West shareholder to receive a cash payment. The parties intend to consummate the Transaction as promptly as practicable after such approvals have been received and the other closing conditions are satisfied or waived. As a result of the Transaction, West will become a wholly owned, direct subsidiary of Olympus, and the Licensees will become wholly owned, indirect subsidiaries of Olympus.

The proposed Transaction will occur at the parent level and will only result in a change in the ownership of West. No assignment of licenses, assets, or customers will occur as a consequence of the proposed Transaction. Immediately following the consummation of the Transaction, West and the Licensees will continue to provide service to their existing customers pursuant to the same rates, terms, and conditions and the Transaction will have no effect on the Licensees' contractual obligations or regulatory status in Delaware.

Public Interest

The proposed Transaction will serve the public interest. West Telecom and West Safety are managed by the experienced management and technical teams of West, who will continue to manage the day-to-day operations and businesses of the companies following completion of the Transaction. Thus, the Licensees will continue to be operated by highly experienced, well-qualified management and technical personnel. In addition, West and the Licensees will also be able to draw upon the decades of experience of the Transferee's management team as a result of the Transaction.

West Telecom and West Safety will continue to provide competitive and innovative service to existing customers at the same rates, terms, and conditions and in the same geographic area as currently provided. Any future changes in the rates, terms, or conditions of service will be undertaken pursuant to customer contracts and any applicable federal and state notice and tariff requirements. The Transaction is not expected to result in the discontinuance, reduction, loss, or impairment of service to any customer. The Transaction will have no effect on the Licensees' contractual obligations or regulatory status in Delaware.

Accordingly, this Transaction will be, for all practical purposes, imperceptible to the customers of the Licensees. In addition, no other utility will be affected by the proposed Transaction. The proposed Transaction will not adversely affect competition in Delaware.

because it will not result in a reduction of competitors and customers will continue to have access to the same competitive alternatives they have today. In addition, the Licensees will benefit from having access to the financial and managerial resources of Olympus as a result of the Transaction.

Staff Recommendation

Applications seeking approval of transfer of control by large multi-state competitive intrastate telecommunications providers technically come under the provisions of 26 *Del. C.* §215 because the companies are deemed to be public utilities. The Applicants have represented that the proposed Transaction is in accordance with the law, for a proper purpose, and consistent with the public interest. The Commission has previously allowed such applications to become effective by statutory approval without Commission action. The result seems appropriate under the circumstances. Staff, therefore, recommends that the Commission not act on this application. Under 26 *Del. C.* §215(d), the effect will be that the application is deemed to be approved by the Commission. Staff will also acquire verification from the Applicants that the proposed Transaction has been completed.